

Margaret M. Fox
pfox@mcnair.net
Direct Dial: 803.799.9800
Direct Fax: 803.753.3278

Burr & Forman LLP
1221 Main Street
Suite 1800
Columbia, SC 29201

Mailing Address:
Post Office Box 11390
Columbia, SC 29211

Office (803) 799-9800
Fax (803) 753-3278

BURR.COM

September 9, 2021

Ms. Jocelyn Boyd
Chief Clerk and Administrator
South Carolina Public Service Commission
Synergy Business Park, The Saluda Building
101 Executive Center Drive
Columbia SC 29210

**Re: Petition of Lockhart Power Company for Order Approving Accounting Treatment
Docket No. 2021-_____-E**

Dear Ms. Boyd:

Attached for filing please find Lockhart Power Company's Petition in the above-referenced matter.

Thank you for your assistance.

Sincerely,

BURR & FORMAN LLP

/s/ Margaret M. Fox

Margaret M. Fox

MMF:jdc

Enclosure: as stated

cc: Nanette S. Edwards, Esq. (nedwards@ors.sc.gov)
Andrew Bateman, Esq. (abateman@ors.sc.gov)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2021-____-E

IN RE:)	
)	
Petition of Lockhart Power Company)	PETITION FOR
For an Order Approving Accounting)	ORDER APPROVING
Treatment Related to Settlement and)	ACCOUNTING TREATMENT
True-Up Amounts Received from Duke)	
Energy Carolinas, LLC ("DEC"))	
<hr/>)	

Lockhart Power Company ("Lockhart" or the "Company") hereby petitions the Public Service Commission of South Carolina, pursuant to S.C. Code Ann. §§ 58-3-140, 58-27-140, 58-27-230, and 58-27-1540, and applicable Commission Regulations, to issue an order approving Lockhart's proposed accounting treatment of certain settlement and true-up amounts received by the Company from Duke Energy Carolinas, LLC ("DEC") as set forth herein. The proposed accounting treatment is in the public interest and will benefit Lockhart's customers, as described herein. In support of this Petition, Lockhart would respectfully show unto this Honorable Commission:

1. The legal name and address of Petitioner is as follows:

Lockhart Power Company
Post Office Box 10
Lockhart, South Carolina 29364

2. The attorneys for Lockhart to whom all correspondence should be addressed are:

M. John Bowen, Jr.
Margaret M. Fox
Burr & Forman LLP
Post Office Box 11390
1221 Main Street (29201)
Columbia, South Carolina 29211
Telephone: (803) 799-9800
Email: jbowen@burr.com; pfox@burr.com

3. Lockhart is a public utility under the laws of the State of South Carolina and is subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. § 58-3-140(A). Lockhart is engaged in the generation, transmission, distribution, and sale of electricity to the public for compensation. The Company's office and principal place of business is in Lockhart, South Carolina. The Commission has jurisdiction over the rates and charges, rate schedules, classification, and practices of electrical utilities operating in South Carolina, including Lockhart, as generally provided in S.C. Code Ann. § 58-27-10, *et seq.*

4. Lockhart has a long-term, full-requirements wholesale Power Purchase Agreement with DEC (the "Duke PPA"). Lockhart does generate a certain amount of energy from its own renewable resources; however, the bulk of its load is served through the Duke PPA, and has been for decades.

5. The Company has received from DEC \$757,500, as a result of an audit initiated by Lockhart under the Duke PPA covering the calendar years 2015-2018. Lockhart has booked the amount in its General Ledger as a Current Accrued Liability to customers (232 Account).

6. Lockhart's customers have received a refund of \$2,891,130.62, including interest, as a result of the annual DEC true-up process for calendar year 2020 under the Duke PPA. This

is an unusually high annual true-up amount, at least in part due to Covid-related impacts on the economy in 2020.

7. Lockhart has also received from DEC \$977,986.20, as part of a Coal Combustion Residuals (“CCR,” typically referred to as “coal ash”) settlement refund. Lockhart’s total CCR liability to DEC continues through the end of the term of the PPA, and DEC periodically reconciles the actual CCR expenses incurred to date to the amount paid to date by Lockhart. This payment from DEC represents overpayments made by Lockhart for the years 2018 – 2020, plus interest, resulting from delays in Duke incurring expenses compared to prior estimated schedules.

8. Lockhart’s liability for CCR charges as of July 31, 2021 through December 31, 2028 (the term of the Duke PPA) is estimated to be \$3,878,400.00. Lockhart has booked this amount on its General Ledger as an Accrued Liability (232 Account). The aforementioned delays in DEC incurring CCR expenses are expected to increase the annual amounts due to DEC for the remainder of the Duke PPA term. Without the accounting treatment Lockhart is requesting herein, customers’ future rates will increase and fluctuate as Lockhart tries to avoid having a large “balloon”-type payment due to DEC at the end of the PPA term.

9. In all, Lockhart has received from DEC a total of \$4,626,616.82 in settlement and true-up funds (the “Settlement and True-Up Amounts”) for the benefit of Lockhart’s customers. Lockhart also has an Accrued Liability to DEC for CCR charges through December 2028 of \$3,878,400.00.

10. Lockhart believes that refunding large amounts to customers over a period of up to 12 months (as its Schedule O currently allows), and then returning rates to their normal levels plus increasing them to cover the future CCR charges will cause “rate shock”, will be confusing to

Lockhart's customers, and will make it difficult for certain customers to manage payment of their bills. For example, in addition to residential and commercial customers who are generally more sensitive to notable rate fluctuations, commercial and industrial customers could experience disruptions in their budgeting, production accounting, and cost control processes. It is expected that all of these negative impacts would cause unnecessary customer stress and dissatisfaction. Therefore, Lockhart seeks an Order Approving Accounting Treatment that will allow it to offset the Settlement and True-Up Amounts against the future CCR charges. A summary of the proposal is attached hereto as **Exhibit A**. This will benefit Lockhart's customers in the following ways:

- a. Lockhart's customers will see an immediate decrease in rates over the next twelve (12) months from the net amount of the Settlement and True-up Amounts less the CCR Accrued Liability (\$748,216.82) being refunded through Lockhart's Schedule O "Power Adjustment Clause" over a 12-month period beginning with September 2021 bills.
- b. Lockhart's customers will not be subject to potentially large future rate increases as a result of the CCR liability. Lockhart seeks authorization to place the estimated liability for CCR charges (\$3,878,400.00) in a money market or similar account (136 Account), with any interest accruing in the account also applied toward future CCR charges for the benefit of customers. The account would be used to pay future CCR charges until the CCR liability is exhausted or the account is depleted. To the extent funds remain in the account when CCR liability is exhausted, any such amounts will be refunded to customers.

- c. Lockhart's customers will also see an immediate reduction in rates as a result of a reduction in CCR expense. Customers currently are responsible for approximately \$27,500 per month in CCR charges, and that amount is expected to increase significantly between now and 2028. By setting aside the CCR liability amount now to pay those charges directly as they come due, customers will not only avoid rate shock later, but will begin to receive the benefit of the set-aside through an immediate reduction in CCR expense.
11. The Commission's granting of this request would not require a change to any of the Company's tariffs.
12. Lockhart has already received the amounts referenced in this pleading, and must determine on an expedited basis how to treat those amounts from an accounting standpoint. Flowing through all of the Settlement and True-Up Amounts to customers now would be difficult if not impossible to reverse. Furthermore, if Lockhart were to start flowing through all of the amounts immediately, and then stop doing so on a prospective basis upon Commission approval, it would cause rates to fluctuate widely in a short period of time, defeating the purpose of Lockhart's proposal. For these reasons, Lockhart plans to treat the Settlement and True-Up Amounts in the manner outlined herein on an interim basis, subject to reversal and true-up if the Commission determines not to approve Lockhart's request. In other words, Lockhart will begin flowing through \$748,216.82 in refunds to customers over a 12-month period beginning in September 2021, place the remaining Settlement and True-Up Amounts in a 136 account, and begin paying monthly CCR expenses from that 136 account, pending a Commission decision.

13. By its Petition, Lockhart seeks to cause as little disruption and uncertainty to customers as possible. Because time is of the essence, Lockhart respectfully requests that the Commission grant its Petition and issue the requested Order Approving Accounting Treatment on an expedited basis.

WHEREFORE, Lockhart Power Company respectfully requests that the Commission issue an Order Approving Accounting Treatment, allowing Lockhart to use a portion of the Settlement and True-Up Amounts to establish an account in the amount of \$3,878,400.00 to be used to pay future CCR charges until the account is depleted or the CCR charge liability is exhausted, at which time any remaining amounts, including accrued interest, will be refunded to customers.

Respectfully submitted,

/s/ Margaret M. Fox
M. John Bowen, Jr.
Margaret M. Fox
Burr & Forman LLP
Post Office Box 11390
Columbia, South Carolina 29211
(803) 799-9800
jbowen@burr.com
pfox@burr.com

Attorneys for Lockhart Power Company

September 9, 2021

Columbia, South Carolina

Exhibit A

Summary of Settlement and True-Up Amounts and Proposed Treatment

Source of Funds Received from DEC	Amount
Audit of Duke PPA (2015-2018)	\$ 757,500.00
Duke PPA Annual True-Up	\$ 2,891,130.62
CCR Settlement Refund	\$ 977,986.20
TOTAL	\$ 4,626, 616.82

Proposed Treatment of Funds	Amount
CCR Liability	\$ 3,878,400.00
Refund to Customers Sept 21-Aug 22	\$ 748,216.82
TOTAL	\$ 4,626, 616.82